

# EXHIBIT 1

**D.C. CHARTERED HEALTH PLAN, INC.**

**IN REHABILITATION**

(A WHOLLY OWNED SUBSIDIARY OF  
D.C. HEALTHCARE SYSTEMS, INC.)

STATUTORY FINANCIAL STATEMENTS

**DECEMBER 31, 2015**

(WITH INDEPENDENT AUDITOR'S  
REPORT THEREON)

## Table of Contents

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	<u>Page</u>
<b>Independent Auditor's Report .....</b>	<b>1</b>
 <b>Statutory Financial Statements</b>	
Statutory Statements of Admitted Assets, Liabilities and Capital and Deficit.....	4
Statutory Statements of Operations.....	5
Statutory Statements of Capital and Deficit.....	6
Statutory Statements of Cash Flows.....	7
Notes to Statutory Financial Statements.....	8
 <b>Supplemental Schedules</b>	
I Supplemental Summary Investment Schedule.....	27
II Supplemental Schedule of Investment Risk Interrogatories.....	28

## Independent Auditor's Report

Commissioner as Rehabilitator  
D.C. Chartered Health Plan, Inc. in Rehabilitation  
Washington, District of Columbia

### Report on the Statutory Financial Statements

We have audited the accompanying statutory financial statements of D.C. Chartered Health Plan, Inc. in Rehabilitation ("Chartered"), a wholly owned subsidiary of D.C. Healthcare Systems, Inc. ("DCHSI"), which comprise the statutory statements of admitted assets, liabilities and capital and deficit as of December 31, 2015 and 2014, and the related statutory statements of operations, capital and deficit, and cash flows for the years then ended, and the related notes to the statutory financial statements.

### Management's Responsibility for the Statutory Financial Statements

As described more fully in Note 2 to the statutory financial statements, management and the Commissioner as Rehabilitator are responsible for the preparation and fair presentation of these statutory financial statements in accordance with accounting practices prescribed or permitted by the Department of Insurance, Securities and Banking of the District of Columbia (the "DISB"), which practices differ materially from accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of statutory financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these statutory financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statutory financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statutory financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the statutory financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to Chartered's preparation and fair presentation of the statutory financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Chartered's internal control.

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the statutory financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the statutory financial statements referred to above present fairly, in all material respects, the statutory financial position of D.C. Chartered Health Plan, Inc. in Rehabilitation as of December 31, 2015 and 2014, and the results of its operations and its cash flows for the years then ended, in accordance with the basis of accounting described in Note 2 to the statutory financial statements.

## **Emphasis-of-Matter – Rehabilitation Proceedings**

As discussed in Notes 1 and 4 to the statutory financial statements, on October 19, 2012, Chartered was placed into rehabilitation by the Superior Court for the District of Columbia and effective April 30, 2013, substantially all of Chartered's operations were sold in an Asset Purchase Agreement. Chartered currently has no revenue producing insurance activities; no income operations are contemplated by the deputy receiver and/or management.

## **Basis of Accounting**

We draw attention to Note 2 of the statutory financial statements, which describes the basis of accounting. As described in Note 2 to the statutory financial statements, the statutory financial statements are prepared in conformity with the accounting practices prescribed or permitted by the DISB, which is a basis of accounting other than the accounting principles generally accepted in the United States of America, to meet the requirements of the DISB. Our opinion is not modified with respect to this matter.

## **Supplemental Information**

Our audits were conducted for the purpose of forming an opinion on the statutory financial statements taken as a whole. The accompanying Supplemental Summary Investment Schedule and Investment Risk Interrogatories (collectively referred to as "Supplemental Schedules") of Chartered as of December 31, 2015, are presented for the purpose of additional analysis and are not a required part of the statutory financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the statutory financial statements. The information has been subjected to the auditing procedures applied in the audit of the statutory financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the statutory financial statements or to the statutory financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the statutory financial statements as a whole.

**Restriction on Use**

This report is intended solely for the information and use of the Commissioner as Rehabilitator and management of D.C. Chartered Health Plan, Inc. in Rehabilitation and for filing with the Department of Insurance, Securities and Banking of the District of Columbia and should not be used for any other purpose.

*Brown Smith Wallace, LLP*

St. Louis, Missouri

May 25, 2016

**D.C. CHARTERED HEALTH PLAN, INC. in Rehabilitation**  
**(A Wholly Owned Subsidiary of D.C. Healthcare Systems, Inc.)**

**Statutory Statements of Admitted Assets, Liabilities and  
Capital and Deficit**

December 31, 2015 and 2014

(See Independent Auditor's Report)

	<b>2015</b>	2014
<b>ADMITTED ASSETS</b>		
Cash, cash equivalents, and short-term investments	<b>\$ 7,083,092</b>	\$ 7,856,378
<b>TOTAL ADMITTED ASSETS</b>	<b>\$ 7,083,092</b>	\$ 7,856,378
<b>LIABILITIES AND CAPITAL AND DEFICIT</b>		
<b>Current Liabilities</b>		
Claims unpaid	<b>\$ 10,524,573</b>	\$ 10,524,573
Income tax payable	<b>182,093</b>	182,093
Other liabilities and accrued expenses	<b>10,599,445</b>	9,988,392
<b>Total Current Liabilities</b>	<b>21,306,111</b>	20,695,058
<b>Capital and Deficit</b>		
Class A common stock - \$0.10 par value, 1,000 shares authorized, issued and outstanding	<b>100</b>	100
Gross paid-in and contributed surplus	<b>4,690,419</b>	4,690,419
Accumulated deficit	<b>(18,913,538)</b>	(17,529,199)
<b>Total Capital and Deficit</b>	<b>(14,223,019)</b>	(12,838,680)
<b>TOTAL LIABILITIES AND CAPITAL AND DEFICIT</b>	<b>\$ 7,083,092</b>	\$ 7,856,378

The accompanying notes are an integral part of these statutory financial statements.

**D.C. CHARTERED HEALTH PLAN, INC. in Rehabilitation**  
**(A Wholly Owned Subsidiary of D.C. Healthcare Systems, Inc.)**

**Statutory Statements of Operations**

Years ended December 31, 2015 and 2014

(See Independent Auditor's Report)

	<b>2015</b>	<b>2014</b>
<b>UNDERWRITING INCOME</b>		
Net premium income	\$ -	\$ 36,771
<b>UNDERWRITING EXPENSES</b>		
Claims incurred, net of reinsurance	(265,143)	(722,695)
General administrative expenses	1,721,586	2,088,067
<b>Total Underwriting Expenses</b>	<b>1,456,443</b>	1,365,372
<b>Net Underwriting Loss</b>	<b>(1,456,443)</b>	(1,328,601)
<b>Net investment income</b>	<b>5,466</b>	11,551
<b>Other income</b>	<b>-</b>	1,592
<b>Net loss before federal taxes</b>	<b>(1,450,977)</b>	(1,315,458)
<b>Federal income tax expense</b>	<b>-</b>	182,093
<b>NET LOSS</b>	<b>\$ (1,450,977)</b>	<b>\$ (1,497,551)</b>

The accompanying notes are an integral part of these statutory financial statements.



**D.C. CHARTERED HEALTH PLAN, INC. in Rehabilitation**  
**(A Wholly Owned Subsidiary of D.C. Healthcare Systems, Inc.)**

**Statutory Statements of Capital and Deficit**

Years ended December 31, 2015 and 2014

(See Independent Auditor's Report)

	Common Stock	Additional Paid-in Surplus	Accumulated Deficit	Total Capital and Deficit
Balance at December 31, 2013	\$ 100	\$ 4,690,419	\$ (16,021,084)	\$ (11,330,565)
Net loss	-	-	(1,497,551)	(1,497,551)
Change in nonadmitted assets	-	-	(10,564)	(10,564)
Balance at December 31, 2014	100	4,690,419	(17,529,199)	(12,838,680)
Net loss	-	-	(1,450,977)	(1,450,977)
Change in nonadmitted assets	-	-	66,638	66,638
<b>Balance at December 31, 2015</b>	<b>\$ 100</b>	<b>\$ 4,690,419</b>	<b>\$ (18,913,538)</b>	<b>\$ (14,223,019)</b>

The accompanying notes are an integral part of these statutory financial statements.

**D.C. CHARTERED HEALTH PLAN, INC. in Rehabilitation**  
**(A Wholly Owned Subsidiary of D.C. Healthcare Systems, Inc.)**

**Statutory Statements of Cash Flows**

Years ended December 31, 2015 and 2014

(See Independent Auditor's Report)

	<b>2015</b>	<b>2014</b>
<b>Cash flows from operating activities:</b>		
Premiums collected, net of reinsurance	\$ -	\$ 36,771
Benefit payments	<b>265,143</b>	455,844
General administrative expenses paid	<b>(1,110,533)</b>	(2,489,846)
Net investment income	<b>5,466</b>	11,551
<b>Net cash, cash equivalents, and short-term investments used in operating activities</b>	<b>(839,924)</b>	(1,985,680)
<b>Cash flows from financing activities:</b>		
Other cash, net	<b>66,638</b>	(10,564)
<b>Net cash, cash equivalents, and short-term investments (used in) provided by financing activities</b>	<b>66,638</b>	(10,564)
<b>NET DECREASE IN CASH, CASH EQUIVALENTS, AND SHORT-TERM INVESTMENTS</b>	<b>(773,286)</b>	(1,996,244)
<b>Cash, cash equivalents, and short-term investments, beginning of year</b>	<b>7,856,378</b>	9,852,622
<b>Cash, cash equivalents, and short-term investments, end of year</b>	<b>\$ 7,083,092</b>	<b>\$ 7,856,378</b>

The accompanying notes are an integral part of these statutory financial statements.

# **D.C. CHARTERED HEALTH PLAN, INC. in Rehabilitation (A Wholly Owned Subsidiary of D.C. Healthcare Systems, Inc.)**

## **Notes to Statutory Financial Statements**

December 31, 2015

(See Independent Auditor's Report)

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### **(1) Description of Business**

D.C. Chartered Health Plan, Inc. in Rehabilitation ("Chartered") is a Medicaid Health Maintenance Organization ("HMO") and was established on December 31, 1986, under the laws of the District of Columbia ("District"). Chartered is owned by D.C. Healthcare Systems, Inc. ("DCHSI"). DCHSI purchased Chartered out of a bankruptcy trusteeship on May 17, 2000.

Chartered's primary purpose up until May 1, 2013 was to provide health care within a managed care framework to residents of the District through contracts with the District's Department of Health Care Finance ("DHCF"). Such contracts required Chartered to provide health care services to the residents of the District who qualify under the Medicaid or Alliance programs operated by the District. Alliance enrollees are those residents not eligible for the federally-funded Medicaid program, but whose incomes fall below 200% of the federally-determined poverty level. At the beginning of 2013, Chartered served approximately 102,000 members enrolled in the Medicaid program and approximately 8,000 members enrolled in the Alliance program. Substantially all of Chartered's revenue for 2013 was earned during the period from January 1, 2013 through April 30, 2013, and was derived from its Medicaid and Alliance contracts with the DHCF.

On October 19, 2012, Chartered was placed into Court-supervised rehabilitation with the consent of Chartered's Board of Directors and its owner. The Commissioner of the Department of Insurance, Securities and Banking of the District of Columbia ("DISB") was appointed Rehabilitator. The Rehabilitator subsequently appointed Mr. Dan Watkins as Special Deputy to the Rehabilitator for supervision of the day-to-day activities of Chartered.

Chartered entered into an Asset Purchase Agreement on February 8, 2013, with AmeriHealth District of Columbia, Inc. for the sale of substantially all of Chartered's operating assets and transfer of various contractual agreements. The sale closed on April 30, 2013, and at that time all of Chartered's Medicaid and Alliance enrollees were transferred to AmeriHealth District of Columbia, Inc.

Chartered did not bid on the DHCF's request for proposals for new contracts that would have taken effect after April 30, 2013. As a consequence, Chartered ceased participation in the DHCF's Medicaid and Alliance programs on April 30, 2013, effectively ending its revenue-producing operations. For the remainder of 2013 and throughout 2014 and 2015, Chartered was engaged in the process of settling outstanding health care claims, transitioning its operations to AmeriHealth District of Columbia, Inc., and resolving outstanding legal and tax issues.

**D.C. CHARTERED HEALTH PLAN, INC. in Rehabilitation**  
**(A Wholly Owned Subsidiary of D.C. Healthcare Systems, Inc.)**

**Notes to Statutory Financial Statements – Continued**

December 31, 2015

(See Independent Auditor's Report)

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**(2) Basis of Presentation and Summary of Significant Accounting Policies and Practices**

***(a) Basis of Presentation***

The accompanying statutory financial statements of Chartered have been prepared on the statutory basis of accounting, in accordance with the accounting practices adopted by the National Association of Insurance Commissioners ("NAIC") codification project ("Codification") as prescribed or permitted by the DISB. The Codification was adopted by DISB without significant modification.

DISB previously determined that certain of Chartered's pledged investments may be classified as admitted assets. In May 2013, these pledged investments were liquidated by the bank to pay off an outstanding debt owed by DCHSI, thereby causing Chartered to recognize a substantial financial loss. See Note 8(c) for additional information on the disposition of the pledged assets. Chartered has no other material statutory accounting practices that differ from those of DISB or the Codification.

These statutory financial statements differ materially from financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP").

The principal differences are:

- a) Under GAAP, the recognition of deferred tax liabilities and assets for the expected future tax consequences of events that have been included in the financial statements or tax returns is required. Under this method, deferred tax liabilities and assets are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Such adjustments are recorded in accumulated deficit for statutory purposes.
- b) Certain assets, such as prepaid expenses, are designated as non-admitted for statutory accounting purposes if they fail to meet certain tests and are excluded from the Statutory Statements of Admitted Assets, Liabilities and Capital and Deficit by a direct charge to capital and deficit. For GAAP, these amounts are carried as assets, net of a valuation allowance, if necessary.

**D.C. CHARTERED HEALTH PLAN, INC. in Rehabilitation**  
**(A Wholly Owned Subsidiary of D.C. Healthcare Systems, Inc.)**

**Notes to Statutory Financial Statements – Continued**

December 31, 2015

(See Independent Auditor's Report)

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**(2) Basis of Presentation and Summary of Significant Accounting Policies and Practices**  
**(Continued)**

***(a) Basis of Presentation (Continued)***

- c) Cash, cash equivalents and short-term investments in the Statutory Statements of Cash Flows represent cash balances and investments with original maturities of one year or less. Under GAAP, the corresponding caption of cash and cash equivalents includes cash balances and investments with original maturities of three months or less. Also, the Statutory Statements of Cash Flows do not include classifications consistent with GAAP and a reconciliation of net income to net cash provided by operating activities is not provided.

***(b) Cash, Cash Equivalents and Short-term Investments***

Cash, cash equivalents and short-term investments generally are comprised of cash, money market accounts and certificates of deposits with original maturities of twelve months or less at the date of purchase. The certificates are held by financial institutions and are carried at cost, which approximates fair value.

During 2014 and 2015, Chartered held only cash and cash equivalents. At times throughout these periods, bank deposit balances were in excess of federally insured limits. Chartered has not experienced any losses and believes it is not exposed to any significant credit risk on cash, cash equivalents, and short-term investments.

***(c) Premium Revenue***

Chartered recognized premiums received for members enrolled in the Medicaid and Alliance programs as revenue in the period to which health care coverage related. Member premiums were paid on a fixed monthly fee per capita basis. Chartered received additional revenue for the birth of newborns by its enrolled members. Such revenue was recognized in the month of the birth. As further discussed in Note 1, Chartered ceased ongoing insurance coverage effective April 30, 2013.

**D.C. CHARTERED HEALTH PLAN, INC. in Rehabilitation**  
**(A Wholly Owned Subsidiary of D.C. Healthcare Systems, Inc.)**

**Notes to Statutory Financial Statements – Continued**

December 31, 2015

(See Independent Auditor's Report)

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**(2) Basis of Presentation and Summary of Significant Accounting Policies and Practices**  
**(Continued)**

***(d) Claims Unpaid and Incurred***

Chartered entered into hospital service contracts to provide necessary inpatient and outpatient hospital services to its enrollees. Under the contracts, Chartered paid the participating hospitals at the fee-for-service rates in effect at the time the services were provided to its enrollees. Chartered also entered into agreements with network physicians and suppliers to provide medical services and supplies to Chartered's enrollees at agreed-upon fee-for-service rates or at fixed fees per member per month ("capitation").

Monthly capitation payments to primary care physicians and other health care providers were expensed as paid. Claims incurred and unpaid include amounts for known services rendered. An estimate of incurred but not reported services rendered by hospitals, physicians, and other health care providers is normally also included. No such estimate of incurred but not reported services is included in these statutory financial statements. This is due to establishment of August 31, 2013 as the deadline for submittal of new health care claims.

As part of the process of estimating the cost of all claims reported but unpaid, and claims incurred but not reported, Chartered would historically accrue an estimate of the expense to administer such claims. Because of the aforementioned claim submittal deadline and because substantially all outstanding claims had been received and adjudicated at December 31, 2013, Chartered did not accrue a reserve for administrative costs at December 31, 2015 and 2014.

***(e) Income Taxes***

In accordance with its tax allocation agreement with DCHSI, Chartered is to be included in consolidated federal and state income tax returns with DCHSI, using an April 30 fiscal year-end. Deferred tax assets, deferred tax liabilities, and income tax expense or benefit associated with Chartered have been provided for on a separate-company basis. In addition, Chartered historically determines its deferred income taxes on a separate-company basis and remits its estimated tax payment to DCHSI. DCHSI, including Chartered, is believed by the Special Deputy to the Rehabilitator to have filed federal income tax returns through April 30, 2010. It is the Special Deputy's understanding that consolidated tax returns for fiscal years ended April 30, 2011, 2012, 2013, 2014, and 2015 have not been filed with the Internal Revenue Service ("IRS"), as of the date of this report.

**D.C. CHARTERED HEALTH PLAN, INC. in Rehabilitation**  
**(A Wholly Owned Subsidiary of D.C. Healthcare Systems, Inc.)**

**Notes to Statutory Financial Statements – Continued**

December 31, 2015

(See Independent Auditor's Report)

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**(2) Basis of Presentation and Summary of Significant Accounting Policies and Practices**  
**(Continued)**

***(e) Income Taxes (Continued)***

As a consequence of the situation described above, the Special Deputy elected to have tax returns prepared and filed on a stand-alone basis for Chartered for the five tax years in question. The returns indicated a tax liability for Chartered for alternative minimum taxes in the amounts of \$63,315 for the tax year ended April 30, 2011 and \$118,778 for the tax year ended April 30, 2012. The returns for the tax years ended April 30, 2011, 2012, 2013, and 2014 were filed with the IRS in December 2014. The return for the tax year ended April 30, 2015 was filed with the IRS on August 26, 2015.

Chartered received a demand notice for approximately \$182,000 of taxes, \$611,000 of penalties, and \$132,000 of interest (through September 30, 2015) for the tax periods ended April 30, 2011 and 2012. The Special Deputy is seeking abatement of the late filing and payment penalties. Based on discussions with the IRS, management has determined the need to record a liability in the amount of \$122,645 for the estimated tax penalties and interest accrued through December 31, 2015, as these amounts are statutorily imposed and cannot be abated.

No demand notices have been received by Chartered from the IRS for taxes, penalties or interest for the years ended April 30, 2013, 2014, and 2015. Chartered has issued no payments to the IRS for any of the five years for which stand-alone returns were filed. This is because the Plan of Reorganization for Chartered, which was approved by the Court, places claims of the federal government into Priority Class 4 and there are currently insufficient assets to fully satisfy higher priority class claims.

Income taxes are accounted for under the asset and liability method. Deferred tax assets ("DTAs") and liabilities ("DTLs") are recognized for the future tax consequences attributable to differences between the statutory financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. DTAs and DTLs are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on DTAs and DTLs from a change in tax rates is recognized in the period that includes the enactment date.

**D.C. CHARTERED HEALTH PLAN, INC. in Rehabilitation**  
**(A Wholly Owned Subsidiary of D.C. Healthcare Systems, Inc.)**

**Notes to Statutory Financial Statements – Continued**

December 31, 2015

(See Independent Auditor's Report)

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**(2) Basis of Presentation and Summary of Significant Accounting Policies and Practices  
(Continued)**

***(f) Use of Estimates***

Management of Chartered has made a number of estimates and assumptions relating to the reporting of admitted assets and liabilities and the disclosure of contingent assets and liabilities at the date of the statutory financial statements and the reported amounts of revenues and expenses during the reporting period to prepare these statutory financial statements in conformity with statutory accounting principles. Actual results could differ from those estimates.

***(g) Subsequent Events***

Management has evaluated subsequent events through May 25, 2016, which is the date that these statutory financial statements were issued. Refer to Note 15 for further discussion of significant events which occurred subsequent to the reporting date.

**(3) Net Investment Income**

The following table reflects net investment income by type of investment for the years ended December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Cash and cash equivalents	\$ <u>7,815</u>	\$ <u>11,838</u>
Gross investment income	<u>7,815</u>	<u>11,838</u>
Less: investment expenses	<u>(2,349)</u>	<u>(287)</u>
Net investment income	\$ <u>5,466</u>	\$ <u>11,551</u>

**(4) Property and Equipment**

At April 30, 2013, Chartered's property and equipment was transferred to AmeriHealth District of Columbia, Inc. in accordance with the Asset Purchase Agreement between the two parties dated February 8, 2013. As a result, Chartered had no depreciation and amortization expense related to property and equipment and software for the years ended December 31, 2015 and 2014.



**D.C. CHARTERED HEALTH PLAN, INC. in Rehabilitation**  
**(A Wholly Owned Subsidiary of D.C. Healthcare Systems, Inc.)**

**Notes to Statutory Financial Statements – Continued**

December 31, 2015

(See Independent Auditor's Report)

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**(5) Retrospective Premiums – Change in Accounting Principle**

On July 22, 2013, Chartered and DHCF entered into a settlement agreement regarding claims for retrospective premiums and actuarially unsound rates. The settlement, valued at \$48 million, resolved all pending claims between Chartered and DHCF and any other claims which Chartered may have asserted against DHCF. The settlement provided that DHCF pay Chartered \$18 million through a Technical Adjustment ("Part I"), and for DHCF to pay Chartered's providers \$30 million on claims owed the providers by Chartered through a grant program ("Part II"). The settlement required approval of the technical adjustment payment by the Centers for Medicare and Medicaid Services ("CMS") and approval of the settlement agreement by the Superior Court of the District of Columbia (the "Court"). The Court approved the settlement on August 22, 2013, and CMS approved the technical adjustment payment shortly thereafter. Chartered distributed all \$18 million in Part I payments to providers on a pro rata basis during 2013. The DHCF distributed approximately \$28 million in Part II payments directly to Chartered's providers through the grant program on a pro rata basis in the first quarter of 2014. The remaining \$2 million in the grant program was distributed to providers in the third quarter of 2014 through a coordinated effort of DHCF, Chartered, and the Court.

Through the end of 2015, all payments under Parts I and II of the settlement constituted approximately 84% of claim amounts owed to all providers as of the claims submittal deadline of August 31, 2013.

**(6) Risk-Based Capital**

The NAIC developed the Managed Care Organization Risk-Based Capital Report and required all HMOs to complete the report beginning with the year ended December 31, 1998. Risk-based capital ("RBC") was developed as a method of measuring the minimum amount of capital appropriate for a managed care organization to support its overall business operations in consideration of its size and risk profile. A company's RBC target is calculated by applying certain factors to various asset, premium, and reserve items.

Because of its deteriorating capital and deficit position, Chartered submitted to DISB in May 2012 a comprehensive financial plan for attaining an acceptable level of RBC. Chartered subsequently failed to make satisfactory progress in achieving the level of RBC required to exit the mandatory control level status and, with the approval of Chartered's Board of Directors and its owner, on October 19, 2012, DISB placed Chartered into Court-supervised rehabilitation.

**D.C. CHARTERED HEALTH PLAN, INC. in Rehabilitation**  
**(A Wholly Owned Subsidiary of D.C. Healthcare Systems, Inc.)**

**Notes to Statutory Financial Statements – Continued**

December 31, 2015

(See Independent Auditor's Report)

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**(7) Minimum Net Worth and Regulatory and Contractual Requirements**

As required by the District of Columbia's Health Maintenance Organization Act of 1996 (the "Act"), Chartered entered into a Health Maintenance Organization Custodial Agreement dated February 27, 1998. Under the laws of the Act, Chartered is also required to maintain a minimum net worth equal to the greater of (1) \$1 million; (2) the sum of all uncovered health care expenditures for the latest three-month period ending December 31, March 31, June 30, or September 30; (3) 2% of its annual revenues; or (4) a prescribed percentage of annual health care expenditures. At December 31, 2015 and 2014, Chartered's statutory net deficit was \$14,223,019 and \$12,838,680, respectively. At December 31, 2015 and 2014, Chartered was not in compliance with its minimum statutory net worth requirements.

Under the terms of its Medicaid contract with DHCF, Chartered was also required to meet certain financial requirements. As such, Chartered was required to maintain a positive net worth, and insolvency reserves or deposits that equal or exceed the minimum requirements established by the Department as a condition for maintaining a certificate of authority to operate an HMO in the District. Chartered failed to meet these requirements as of December 31, 2015 and 2014.

There were no dividends approved or paid during the years ended December 31, 2015 and 2014.

**(8) Commitments and Contingencies**

**(a) Leases**

Chartered was obligated under a non-cancelable lease for office space through June, 2014. Chartered vacated the office space in May 2013 and accrued \$1,230,971 of unpaid expenses associated with that lease. No future amount is due under any lease as of December 31, 2015.

Chartered incurred no rent expense for the years 2015 and 2014.

**(b) Litigation**

Chartered is subject to claims and lawsuits arising in the ordinary course of business. The ultimate resolution of pending and future legal proceedings is unknown as of December 31, 2015, and therefore may have a material effect on these statutory financial statements.

**D.C. CHARTERED HEALTH PLAN, INC. in Rehabilitation**  
**(A Wholly Owned Subsidiary of D.C. Healthcare Systems, Inc.)**

**Notes to Statutory Financial Statements – Continued**

December 31, 2015

(See Independent Auditor's Report)

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**(8) Commitments and Contingencies (Continued)**

***(b) Litigation (Continued)***

On May 30, 2013, Chartered filed a civil action in the Court against DCHSI and its sole shareholder, Jeffrey Thompson, seeking over \$16 million in amounts owed Chartered by DCHSI and/or Jeffrey Thompson (the "*Thompson Action*"). This litigation is discussed in Note 8(c).

Separately, DCHSI filed appeals in the D.C. Court of Appeals from orders of the Court in the Rehabilitation proceedings that had (i) approved a plan of reorganization for Chartered and the Asset Purchase Agreement with AmeriHealth District of Columbia, Inc., (ii) denied a stay of the order approving the plan of reorganization and Asset Purchase Agreement, and (iii) approved the DHCF settlement. Shortly before the scheduled oral argument date, DCHSI filed a stipulation of voluntary dismissal, to which Chartered consented, and on October 14, 2014, the Court of Appeals dismissed the DCHSI appeals.

On December 16, 2014, the Court, in the *Thompson Action*, granted in part and denied in part defendants' motion to dismiss certain counts of plaintiff's complaint without prejudice, and granted Chartered leave to amend the dismissed counts. In the same order, the Court denied Chartered's Motion for Partial Summary Judgment, holding that there were disputed issues of material fact that precluded summary judgment on Chartered's claim for indemnification under the Indemnification Agreement associated with the Loan described in Note 8(c) below.

On December 30, 2014, DCHSI and Thompson filed a complaint in the Court against the District of Columbia, DHCF's Director, DISB's current and former commissioners, the Special Deputy, and Mercer LLC (a DHCF consultant) (the "*DCHSI Action*"), asserting Constitutional claims as well as claims for breach of contract, restraint of trade, and fraud, and seeking over \$80 million in damages. On December 31, 2014, plaintiffs in the *DCHSI Action* filed a motion to consolidate it with the *Thompson Action*. On January 13, 2015, the *DCHSI Action* was removed to federal court at the request of the defendants and docketed as *DC Healthcare Systems, Inc. v. District of Columbia*. The case was subsequently dismissed at the request of the plaintiffs. While Chartered was not a party to the *DCHSI Action*, there are many references throughout the plaintiffs' Complaint to Chartered and to the Rehabilitation proceedings.

**D.C. CHARTERED HEALTH PLAN, INC. in Rehabilitation**  
**(A Wholly Owned Subsidiary of D.C. Healthcare Systems, Inc.)**

**Notes to Statutory Financial Statements – Continued**

December 31, 2015

(See Independent Auditor's Report)

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**(8) Commitments and Contingencies (Continued)**

***(b) Litigation (Continued)***

Chartered filed an Amended Complaint in the *Thompson Action* on January 13, 2015. On January 16, 2015, the Court held a status hearing, requesting that the parties meet and confer regarding a pretrial scheduling order, among other things. DCHSI and Thompson answered the amended complaint in the *Thompson Action* on March 3, 2015 and made putative counterclaims, naming as additional counterclaim defendants the same defendants named in the *DCHSI Action*. The counterclaims generally mirror the allegations made in the *DCHSI Action*.

Chartered and the “counter-claim” defendants moved to strike or, in the alternative, sever the 11 putative federal and state law “counterclaims” referenced above. On August 27, 2015, the Court struck the putative counterclaims. In addition, in August 2015, the Court ruled on defendants’ outstanding discovery motions, permitting Chartered to move forward with scheduling and noticing the deposition of defendant Thompson – which Chartered did. On December 31, 2015, the *Thompson Action* was transferred from Judge Mott to Judge Rankin.

In late 2015 and early 2016, the parties each suspended their respective discovery activities in the *Thompson Action*, pending the Court’s ruling on various motions, including Chartered’s Motion for Sanctions against Thompson for failing to comply with a Court order and failing to appear for deposition.

See Note 15 for subsequent events regarding the *Thompson Action*.

***(c) Related Party Disputes***

In the third quarter of 2008, Chartered executed a co-guarantor agreement with DCHSI, wherein Chartered guaranteed a \$13,333,567 long term Bank Loan Payable (the “Loan”). Chartered, DCHSI and Cardinal Bank, an operating unit of Cardinal Financial Corporation, (NASDAQ: CFNL) executed an agreement under which Chartered served as a co-guarantor on the loan and collateralized the loan with specific securities. The Loan originated from a Settlement and Dispute Resolution Agreement for contractual disputes with the Office of the Attorney General for the District, which required DCHSI to pay \$12 million. DCHSI financed the settlement payment through a long term Bank Loan Payable. Effective April 12, 2012, Cardinal Bank, executed a Modification Agreement to a certain “Pledge, Assignment and Security Agreement” dated October 10, 2008. The Modification Agreement released Chartered as a guarantor on the Loan between Cardinal Bank and DCHSI.

**D.C. CHARTERED HEALTH PLAN, INC. in Rehabilitation**  
**(A Wholly Owned Subsidiary of D.C. Healthcare Systems, Inc.)**

**Notes to Statutory Financial Statements – Continued**

December 31, 2015

(See Independent Auditor's Report)

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**(8) Commitments and Contingencies (Continued)**

***(c) Related Party Disputes (Continued)***

Pursuant to the Loan, Chartered was required to pledge investments in the amount of \$13,333,567 as collateral for the Loan. In the event that DCHSI defaulted on or was not able to meet its obligations under the provisions of the Loan, the owner of DCHSI executed an Indemnification Agreement to irrevocably and unconditionally hold Chartered harmless and indemnify Chartered for any monies that Chartered would be obligated to pay under the guaranty agreement and pledge and security agreement, including, but not limited to, any liquidation of the pledged collateral.

On May 17, 2013, Cardinal Bank declared the Loan described above to be in default. Cardinal Bank then liquidated the pledged collateral valued at \$14,007,294. The bank retained \$12,200,294 for outstanding principal, interest and fees on the Loan. Cardinal Bank then remitted the remaining balance to Chartered, after deducting \$150,000 for "anticipated legal fees." The remittance to Chartered was \$1,657,000. The Special Deputy subsequently negotiated release of the \$150,000, plus interest thereon. Chartered expensed the full \$12,200,294 as a component of related party loss during 2013.

On May 30, 2013, Chartered filed a civil action in the Court against DCHSI and its sole shareholder, Jeffrey Thompson, (the "*Thompson Action*", referenced above) seeking over \$16 million in amounts owed Chartered by DCHSI and/or Jeffrey Thompson. The claims relate to approximately \$4 million in federal income tax receivables under a tax allocation agreement between DCHSI and Chartered, related party transactions totaling approximately \$1 million for which documentation is lacking and for the \$12,200,294 in collateral which secured the Loan to DCHSI as described above (seized by Cardinal Bank in May 2013 after notice of default).

Chartered has tendered the approximately \$1 million in related party transactions lacking documentation to its insurer as a claim under its Health Care Portfolio insurance policy for the period from March 13, 2012 through March 15, 2013. No further action is pending related to this claim until the legalities between Chartered and Thompson have been settled.

**D.C. CHARTERED HEALTH PLAN, INC. in Rehabilitation**  
**(A Wholly Owned Subsidiary of D.C. Healthcare Systems, Inc.)**

**Notes to Statutory Financial Statements – Continued**

December 31, 2015

(See Independent Auditor's Report)

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**(8) Commitments and Contingencies (Continued)**

***(d) Employment Contracts***

Chartered previously entered into employment agreements with its key executives, establishing minimum compensation levels, performance requirements, severance and certain other benefits. The agreements were terminated at the request of the Rehabilitator and by order of the Court effective with the closing of the Asset Purchase Agreement on April 30, 2013.

**(9) Reinsurance Coverage**

Chartered is financially responsible for the cost of each enrollee's medical services. Annual Medicaid inpatient hospital services per enrollee were reinsured by a third-party insurance carrier during Chartered's final seven months of its contract with DHCF as follows:

<b><u>Effective Dates</u></b>	<b><u>Insured's Copayment</u></b>
October 1, 2012 through April 30, 2013	\$300,000 plus 50% of paid services in excess of the \$300,000 deductible amount

The reinsurer provided coverage above these deductible amounts. The maximum reimbursement per enrollee was limited to \$2 million, in the aggregate, for the contract period ended April 30, 2013.

For the year ended December 31, 2014, Chartered recorded reinsurance premium income of \$36,771, which is included within premium income in the accompanying Statutory Statements of Operations. The income earned in 2014 was the result of a premium experience refund from the reinsurance carrier for the coverage period ended September 30, 2012. Chartered recorded no reinsurance premium income or expense for the year ended December 31, 2015. Chartered had no reinsurance recoveries from the reinsurance carrier for the years ended December 31, 2015 and 2014.

Although the reinsurance policy described above was initially written with effective dates of October 1, 2012 through September 30, 2013, subsequent to the transfer of Chartered's Medicaid contract to AmeriHealth District of Columbia, Inc. on April 30, 2013, the reinsurance carrier notified Chartered that its reinsurance contract, by virtue of cessation of premium payments, was cancelled effective April 30, 2013.

**D.C. CHARTERED HEALTH PLAN, INC. in Rehabilitation**  
**(A Wholly Owned Subsidiary of D.C. Healthcare Systems, Inc.)**

**Notes to Statutory Financial Statements – Continued**

December 31, 2015

(See Independent Auditor's Report)

**(10) Federal Income Taxes**

The components of the net deferred tax asset in the accompanying Statutory Statements of Admitted Assets, Liabilities and Capital and Deficit at December 31, 2015 and 2014, are as follows:

	<u>2015</u>	<u>2014</u>	<u>Change</u>
Gross deferred tax assets	\$ <b>13,866,837</b>	\$ 13,382,317	\$ 484,520
Statutory valuation allowance adjustment	<b>13,866,837</b>	13,382,317	484,520
Adjusted gross deferred tax assets	-	-	-
Gross deferred tax liability	-	-	-
Net deferred tax assets	-	-	-
Nonadmitted deferred tax assets	-	-	-
Net admitted adjusted deferred tax assets	\$ -	\$ -	\$ -
Increase (decrease) in nonadmitted deferred tax assets	\$ -	\$ -	\$ -

Chartered did not use any tax planning strategies, including the use of reinsurance-related tax planning strategies.

Chartered does not have any unrecognized deferred tax liabilities.

The components of Chartered's provision for federal income taxes for the years ended December 31, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Current year income tax	\$ -	\$ -
Tax on capital gains	-	-
Prior year tax under accrual	-	182,093
	<u>\$ -</u>	<u>\$ 182,093</u>

**D.C. CHARTERED HEALTH PLAN, INC. in Rehabilitation**  
**(A Wholly Owned Subsidiary of D.C. Healthcare Systems, Inc.)**

**Notes to Statutory Financial Statements – Continued**

December 31, 2015

(See Independent Auditor's Report)

**(10) Federal Income Taxes (Continued)**

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities at December 31, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>	<u>Change</u>
Deferred tax assets:			
Discounting of unpaid losses	\$ 68,228	\$ 68,228	\$ -
Net operating loss carry-forward	12,027,158	11,511,031	516,127
Charitable contributions	211,814	211,814	-
Nonadmitted assets	25,162	48,484	(23,322)
Fixed assets	-	8,285	(8,285)
Tax credit carry-forward	182,093	182,093	-
Other	1,352,382	1,352,382	-
Subtotal	13,866,837	13,382,317	484,520
Statutory valuation allowance adjustment	13,866,837	13,382,317	484,520
Admitted deferred tax assets	\$ -	\$ -	\$ -

The provision for federal income taxes incurred is different from that which would be obtained by applying the statutory federal income tax rate to income before income taxes. The significant items causing this difference are as follows:

	<u>Amount</u>	<u>Tax Effect at 35%</u>	<u>Effective Tax Rate</u>
Loss before taxes	\$ (1,450,977)	\$ (507,842)	35.00 %
Change in non-admitted assets	66,634	23,322	(1.61)
Change in valuation allowance	1,384,344	484,520	(33.39)
Total	\$ -	\$ -	-
Federal income taxes incurred expense		\$ -	-
Tax on capital gains		-	-
Change in net deferred income tax charge		-	-
Total statutory income taxes		\$ -	-

At December 31, 2015, Chartered had \$34 million of net operating loss carry-forwards. The following is the income tax expense for 2015 and 2014 that is available for recoupment in the event of future net losses:

2015	\$ -
2014	-



**D.C. CHARTERED HEALTH PLAN, INC. in Rehabilitation**  
**(A Wholly Owned Subsidiary of D.C. Healthcare Systems, Inc.)**

**Notes to Statutory Financial Statements – Continued**

December 31, 2015

(See Independent Auditor's Report)

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**(10) Federal Income Taxes (Continued)**

Chartered is included in a consolidated federal income tax return with DCHSI for the fiscal tax years through April 30, 2010. Chartered has a written agreement with DCHSI which sets forth the manner in which the total combined federal income tax is allocated to each entity that is a party to the consolidation.

As a preliminary and partial result of ongoing discussions with the IRS, the IRS has issued two letters, one each to Chartered and DCHSI dated April 8, 2016, concerning how the IRS plans to deal administratively with Chartered as a tax entity. The letters state that the IRS is asserting its regulatory authority and discretion to “break agency” between Chartered and DCHSI. This means that the IRS plans to deal with Chartered as a separate entity, for purposes of direct communications only, rather than continuing to consider DCHSI as the “sole agent” for consolidated tax return group communications.

Importantly, the letter to Chartered also states that the IRS is accepting Chartered's separately filed tax returns “as its returns pursuant to its several tax liability under Treas. Reg. 1.1502-6 (a).” The letters cover the five tax years April 30, 2011 through April 30, 2015. To date, the IRS has not granted permission for the DCHSI consolidated tax return group to de-consolidate for tax return filing requirement purposes. However, Chartered plans to continue to file separate returns, with full disclosure, in the same manner as it has for the previous five years. Chartered has pending requests with the IRS for abatement of certain penalties as discussed in detail in Note 2(e) to these statutory financial statements.

**(11) Claims Unpaid**

As a result of the discontinuation of ongoing operations and the claims process during rehabilitation, Chartered no longer has any reserves for incurred but not reported claims. As of the date of this report, all claims have been adjudicated and will be settled under the rehabilitation process. The below table provides a roll forward of Chartered's liabilities with regards to losses during 2015 and 2014 including both unpaid losses and reserves.

**D.C. CHARTERED HEALTH PLAN, INC. in Rehabilitation**  
**(A Wholly Owned Subsidiary of D.C. Healthcare Systems, Inc.)**

**Notes to Statutory Financial Statements – Continued**

December 31, 2015

(See Independent Auditor's Report)

**(11) Claims Unpaid (Continued)**

A summary of the activity for claims unpaid is as follows:

	<u>2015</u>	<u>2014</u>
Balance at January 1,	\$ <b>10,524,573</b>	\$ 10,934,463
Plus incurred related to:		
Current year	-	-
Prior years	<u>(265,143)</u>	<u>(253,250)</u>
Total incurred	<b>(265,143)</b>	<b>(253,250)</b>
Less (paid) recovered related to:		
Current year	-	-
Prior years	<b>265,143</b>	-
Court-approved partial payments	<u>-</u>	<u>(156,640)</u>
Total paid	<b>265,143</b>	<b>(156,640)</b>
Balance at December 31,	<u><b>\$ 10,524,573</b></u>	<u><b>\$ 10,524,573</b></u>

Chartered's liability for the incurrence of additional health care claims under its contracts with the DHCF ceased on April 30, 2013. On that date, Chartered had approximately \$67 million of unpaid health care claims. After various Court-supervised payment iterations between September 2013 and September 2014 (see Note 5), this figure was reduced to approximately \$10.5 million as of December 31, 2014 (see table above). This liability amount represents approximately 16% of the existing liability on April 30, 2013, the date Chartered transferred its operating assets to AmeriHealth District of Columbia, Inc. The liability amount was unchanged throughout 2015.

During 2015 and 2014, Chartered received various refunds, rebates, and recoveries which were reflected as a reduction in claims incurred on the Statutory Statements of Operations. These amounts were \$265,143 and \$414,710, respectively.

**(12) Professional Liability Insurance**

Until March 15, 2013, Chartered maintained a health care portfolio liability insurance policy, which was written on a claims-made basis, for Directors and Officers, Employment Practices Liability, Fiduciary Liability, and commercial crime. The coverage limits for this policy are \$2 million per occurrence and \$2 million aggregate. The policy expired March 15, 2013 and was non-renewed by the insurer, but Chartered exercised its right to purchase a one-year extended reporting period ("tail policy"). This tail policy excluded the commercial crime coverage and expired April 14, 2014.

**D.C. CHARTERED HEALTH PLAN, INC. in Rehabilitation**  
**(A Wholly Owned Subsidiary of D.C. Healthcare Systems, Inc.)**

**Notes to Statutory Financial Statements – Continued**

December 31, 2015

(See Independent Auditor's Report)

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**(12) Professional Liability Insurance (Continued)**

Similarly, Chartered maintained a managed care errors and omissions liability insurance policy, which was also written on a claims-made basis. Coverage limits were increased in March 2012 from \$1 million per claim to \$6 million per claim and from \$3 million aggregate to \$8 million aggregate. This policy was renewed through March 2014. In February 2014, Chartered purchased a three-year extended reporting period for the expiring policy for claims made after March 15, 2014 and prior to March 15, 2017.

There is also a multiple lines policy that includes primary general liability insurance and umbrella liability insurance on an occurrence basis for bodily injury, property damage, and advertising injury, in addition to minimal first party property coverage for stored records. The primary liability coverage limits under this policy are \$1 million per occurrence and \$2 million aggregate. The umbrella liability coverage provides an additional limit of \$5 million per occurrence and in the aggregate. This policy covers the period through March 15, 2016.

In management's opinion, there are no pending or anticipated claims against Chartered for activities covered by the above-described liability insurance policies which would have a material effect on the results of operations, cash flows, or financial position of Chartered.

Finally, there is one open claim under the commercial crime coverage of the directors and officers ("D&O") policy in which Chartered seeks coverage for money transferred by Mr. Thompson from Chartered for the benefit of DCHSI and other related parties. The claim was made prior to the expiration of the D&O policy, but the litigation against Mr. Thompson and DCHSI is ongoing, which is discussed more fully as the *Thompson Action* in Notes 8(b) and 8(c) above, and no coverage determination has been made by the insurer as of the date of this report.

**(13) Related Party Transactions**

Prior to 2013, Chartered engaged in numerous related party transactions over a period of years. These transactions included various service arrangements with certain related parties, including Chartered Family Health Center and DCHSI. Chartered has not been able to substantiate certain of these related party transactions. Consequently, Chartered has evaluated known related party net receivables for collectability and has elected to charge them off to expense. For the year ended December 31, 2013, Chartered recognized bad debt expense of \$12,182,002, for related party balances. Chartered did not recognize any bad debt for the years ended December 31, 2015 and 2014. For more information on this issue, see Note 8(c).

**D.C. CHARTERED HEALTH PLAN, INC. in Rehabilitation**  
**(A Wholly Owned Subsidiary of D.C. Healthcare Systems, Inc.)**

**Notes to Statutory Financial Statements – Continued**

December 31, 2015

(See Independent Auditor's Report)

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**(13) Related Party Transactions (Continued)**

Chartered was contracted with DCHSI for the lease of its building at 1025 15<sup>th</sup> Street, NW in Washington, D.C. The lease expired June 2014; however, Chartered vacated the building in May 2013. See Note 8(a) for more information.

**(14) Defined Contribution 401(k) Plan**

Chartered sponsored a 401(k) plan (the "Plan") for its employees. The Rehabilitator terminated the Plan in April 2013; as such, Chartered did not make any contributions to the Plan for the years ended December 31, 2015 and 2014.

**(15) Subsequent Events**

As discussed in Note 8(b), Chartered is involved in litigation with its sole shareholder. Activity regarding the *Thompson Action* which occurred in 2016 is detailed below:

On March 8, 2016, the Court entered an Order officially staying discovery, pending resolution of various motions. The Court also extended the discovery-close deadline by 45 days to April 22, 2016, or to such earlier time as may be appropriate based upon the Court's rulings on the outstanding motions. The Order further stated that once the pending motions were decided, the Court would schedule an oral hearing with the parties to determine the appropriate case timeframe going forward.

On April 6, 2016, the parties participated in a Court-ordered mediation. The parties agreed to reconvene on May 18, 2016 to continue mediation and subsequently rescheduled reconvening to June 8, 2016.

On April 22 and April 28, 2016, the Court issued rulings on the parties' pending motions, ordering (1) Chartered to supplement its responses to certain interrogatories propounded by defendant Thompson and (2) Thompson to pay the reasonable expenses, including attorney's fees, caused by his failure to appear for his deposition pursuant to Super. Ct. Civ. R. 37 (d)(3). Chartered anticipates that, as indicated in its March 8, 2016 Order, the Court will, after hearing, determine the appropriate pretrial schedule going forward and issue an order accordingly.

The IRS recently sent notice of denial of Chartered's initial September 2015 abatement request for 2012. Prior to receipt of the denial notice, Chartered had submitted a new Form 843 abatement request for 2012 with additional information in April 2016. The IRS has not yet responded to that abatement request.

**D.C. CHARTERED HEALTH PLAN, INC. in Rehabilitation**  
**(A Wholly Owned Subsidiary of D.C. Healthcare Systems, Inc.)**

**Notes to Statutory Financial Statements – Continued**

December 31, 2015

(See Independent Auditor's Report)

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**(16) Reconciliation of Amounts Reported in the Annual Statement and Statutory Financial Statements**

The schedule below summarizes the difference between the Company's annual statement and the statutory financial statements as of and for the year ended December 31, 2015.

	<u>Annual Statement</u>	<u>Difference</u>	<u>Audited Statutory Financial Statements</u>
STATEMENT OF ADMITTED ASSETS, LIABILITIES AND CAPITAL AND DEFICIT:			
Other liabilities and accrued expenses	\$ 10,476,800	\$ 122,645	\$ 10,599,445
Total current liabilities	21,183,466	122,645	21,306,111
Accumulated deficit	(18,790,893)	(122,645)	(18,913,538)
Total capital and deficit	(14,100,374)	(122,645)	(14,223,019)
STATUTORY STATEMENTS OF OPERATIONS:			
General administrative expenses	1,598,941	122,645	1,721,586
Net loss	(1,328,332)	(122,645)	(1,450,977)

## Supplemental Information

**D.C. CHARTERED HEALTH PLAN, INC. in Rehabilitation**  
**(A Wholly Owned Subsidiary of D.C. Healthcare Systems, Inc.)**

**Supplemental Summary Investment Schedule**

Year ended December 31, 2015

(See Independent Auditor's Report)

<b>Investment holdings</b>	<b>Admitted assets as reported in the statutory financial statements</b>	
	<b>Amount</b>	<b>Percentage</b>
Cash and cash equivalents:		
Cash and money market funds	\$ 7,083,092	100%
Total invested assets	<u>\$ 7,083,092</u>	<u>100%</u>

**D.C. CHARTERED HEALTH PLAN, INC. in Rehabilitation**  
**(A Wholly Owned Subsidiary of D.C. Healthcare Systems, Inc.)**

**Supplemental Schedule of Investment Risk Interrogatories**

Year ended December 31, 2015

(See Independent Auditor's Report)

- (1) Total admitted assets: \$ 7,083,092  
(2) 10 largest exposures to a single issuer/borrower/investment:

	<b>Investment category</b>	<b>Amount</b>	<b>Total admitted assets</b>
	Cardinal Bank	\$ 7,083,092	100.00%

- (3) Total admitted assets held in bonds, preferred stocks, and money markets by NAIC rating:

<b>Bonds</b>	<b>Amount</b>	<b>Percentage</b>	<b>Stocks</b>	<b>Amount</b>	<b>Percentage</b>
NAIC-1	\$ -	-	P/RP-1	\$ -	-
NAIC-2	-	-	P/RP-2	-	-
NAIC-3	-	-	P/RP-3	-	-
NAIC-4	-	-	P/RP-4	-	-
NAIC-5	-	-	P/RP-5	-	-
NAIC-6	-	-	P/RP-6	-	-

- (4) There were no admitted assets held in foreign investments and unhedged foreign currency exposure.  
(5) - (11) There were no admitted assets held in Canadian investments, no unhedged Canadian currency exposure, nor any Canadian-currency-denominated investments, which support Canadian-denominated insurance liabilities.  
(12) There were no admitted assets held in investments with contractual sales restrictions.  
(13) There were no admitted assets held in equity interests.  
(14) There were no privately placed equities.  
(15) There were no admitted assets held in general partnership interests.  
(16) - (17) There were no admitted assets held in mortgage loans.  
(18) - (19) There were no assets held in real estate.  
There were no admitted assets subject to securities lending, reverse repurchase,  
(20) dollar repurchase, or dollar reverse repurchase agreements.  
(21) There were no warrants.  
(22) There was no potential exposure for collars, swaps, and forwards.  
(23) There was no potential exposure for future contracts.